

Sims Township
Arenac County, Michigan
Annual Financial Statements
and
Auditors' Report
March 31, 2008

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Sims Township
List of Elected and Appointed Officials
March 31, 2008

Township Board

Timothy Roche – Supervisor

Marcella Prueter – Treasurer

Wanda Boley – Clerk

Nancy Hill – Trustee

John Hoppe – Trustee

Independent Auditors' Report

To the Township Board
Sims Township
Au Gres, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of Sims Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of Sims Township as of March 31, 2008 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008 on our consideration of the Sims Township internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sims Township's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Township has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the basic financial statements.

Yeo & Yeo, P.C.

June 27, 2008
Saginaw, Michigan

Sims Township
Statement of Net Assets
March 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 933,513	\$ 576,032	\$ 1,509,545
Receivables			
Taxes	24,085	-	24,085
Customers	-	37,973	37,973
Special assessments	-	1,220,907	1,220,907
Accrued interest and other	4,152	-	4,152
Due from other units of government	11,722	-	11,722
Restricted assets			
Cash and cash equivalents	-	322,358	322,358
Investments	-	3,731,072	3,731,072
Capital assets not being depreciated	12,501	-	12,501
Capital assets net of accumulated depreciation	52,428	-	52,428
Total assets	<u>1,038,401</u>	<u>5,888,342</u>	<u>6,926,743</u>
Liabilities			
Accrued and other liabilities	-	15,500	15,500
Noncurrent liabilities			
Due within one year	-	147,168	147,168
Due in more than one year	-	1,672,496	1,672,496
Total liabilities	<u>-</u>	<u>1,835,164</u>	<u>1,835,164</u>
Net assets			
Invested in capital assets, net of related debt	52,428	1,911,408	1,963,836
Restricted for:			
Building construction	8,910	-	8,910
Transfer station	72,617	-	72,617
Unrestricted	904,446	2,141,770	3,046,216
Total net assets	<u>\$ 1,038,401</u>	<u>\$ 4,053,178</u>	<u>\$ 5,091,579</u>

See Accompanying Notes to Financial Statements

Sims Township
Statement of Activities
For the Year Ended March 31, 2008

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for	Operating	Capital	Primary Government		
	Expenses	Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Primary government							
Governmental activities							
General government	\$ 148,572	\$ 49,436	\$ -	\$ -	\$ (99,136)	\$ -	\$ (99,136)
Public safety	85,304	75	5,598	-	(79,631)	-	(79,631)
Public works	169,107	36,449	2,217	-	(130,441)	-	(130,441)
Community and economic development	21,793	-	-	-	(21,793)	-	(21,793)
Total governmental activities	424,776	85,960	7,815	-	(331,001)	-	(331,001)
Business-type activities							
Water	316,910	272,261	-	-	-	(44,649)	(44,649)
Total primary government	\$ 741,686	\$ 358,221	\$ 7,815	\$ -	(331,001)	(44,649)	(375,650)
General revenues							
Property taxes					276,101	-	276,101
State shared revenue					74,598	-	74,598
Unrestricted investment earnings					11,266	98,346	109,612
Miscellaneous					547	25	572
Total general revenues					362,512	98,371	460,883
Change in net assets					31,511	53,722	85,233
Net assets - beginning of year					1,006,890	3,999,456	5,006,346
Net assets - end of year					\$ 1,038,401	\$ 4,053,178	\$ 5,091,579

See Accompanying Notes to Financial Statements

Sims Township
Governmental Funds
Balance Sheet
March 31, 2008

	Special Revenue Funds						Total
	General	Cemetery	Police	Transfer Station	Mosquito	Gypsy Moth	Governmental Funds
Assets							
Cash and cash equivalents	\$ 539,666	\$ 34,112	\$ 121,390	\$ 33,083	\$ 131,023	\$ 74,239	\$ 933,513
Receivables							
Taxes	10,729	-	7,365	-	5,991	-	24,085
Accrued interest and other	4,152	-	-	-	-	-	4,152
Due from other units of government	11,722	-	-	-	-	-	11,722
Due from other funds	-	-	-	20,147	-	-	20,147
Total assets	<u>\$ 566,269</u>	<u>\$ 34,112</u>	<u>\$ 128,755</u>	<u>\$ 53,230</u>	<u>\$ 137,014</u>	<u>\$ 74,239</u>	<u>\$ 993,619</u>
Liabilities							
Due to other funds	\$ -	\$ 20,147	\$ -	\$ -	\$ -	\$ -	\$ 20,147
Deferred revenue	10,729	-	7,365	-	5,991	-	24,085
Total liabilities	<u>10,729</u>	<u>20,147</u>	<u>7,365</u>	<u>-</u>	<u>5,991</u>	<u>-</u>	<u>44,232</u>
Fund balances							
Reserved for:							
Building construction	8,910	-	-	-	-	-	8,910
Transfer station	72,617	-	-	-	-	-	72,617
Unreserved, reported in:							
General fund	474,013	-	-	-	-	-	474,013
Special revenue funds	-	13,965	121,390	53,230	131,023	74,239	393,847
Total fund balances	<u>555,540</u>	<u>13,965</u>	<u>121,390</u>	<u>53,230</u>	<u>131,023</u>	<u>74,239</u>	<u>949,387</u>
Total liabilities and fund balances	<u>\$ 566,269</u>	<u>\$ 34,112</u>	<u>\$ 128,755</u>	<u>\$ 53,230</u>	<u>\$ 137,014</u>	<u>\$ 74,239</u>	<u>\$ 993,619</u>

See Accompanying Notes to Financial Statements

Sims Township
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
March 31, 2008

Total fund balances for governmental funds	\$ 949,387
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	64,929
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	<u>24,085</u>
Net assets of governmental activities	<u><u>\$ 1,038,401</u></u>

Sims Township
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2008

	Special Revenue Funds						Total Governmental Funds
	General	Cemetery	Police	Transfer Station	Mosquito	Gypsy Moth	
Revenues							
Taxes	\$ 91,203	\$ -	\$ 75,553	\$ -	\$ 72,967	\$ -	\$ 239,723
Licenses and permits	7,753	12,130	-	-	-	-	19,883
State revenue sharing	74,598	-	-	-	-	-	74,598
Other state grants	2,217	-	-	-	-	-	2,217
Local contributions	-	-	-	36,000	-	-	36,000
Charges for services	45,488	13,825	-	-	-	-	59,313
Fines and forfeitures	75	-	-	-	-	-	75
Interest income	8,527	121	926	101	389	1,202	11,266
Other revenue	15,708	20	-	984	12	-	16,724
Total revenues	<u>245,569</u>	<u>26,096</u>	<u>76,479</u>	<u>37,085</u>	<u>73,368</u>	<u>1,202</u>	<u>459,799</u>
Expenditures							
Current							
General government	145,793	-	-	-	-	-	145,793
Public safety	7,023	-	78,281	-	-	-	85,304
Public works	13,819	22,649	-	73,520	59,019	100	169,107
Community and economic development	21,793	-	-	-	-	-	21,793
Total expenditures	<u>188,428</u>	<u>22,649</u>	<u>78,281</u>	<u>73,520</u>	<u>59,019</u>	<u>100</u>	<u>421,997</u>
Excess (deficiency) of revenues over expenditures	<u>57,141</u>	<u>3,447</u>	<u>(1,802)</u>	<u>(36,435)</u>	<u>14,349</u>	<u>1,102</u>	<u>37,802</u>
Other financing sources (uses)							
Transfers in	-	-	-	36,000	-	-	36,000
Transfers out	(36,000)	-	-	-	-	-	(36,000)
Total other financing sources and uses	<u>(36,000)</u>	<u>-</u>	<u>-</u>	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	21,141	3,447	(1,802)	(435)	14,349	1,102	37,802
Fund balance - beginning of year	<u>534,399</u>	<u>10,518</u>	<u>123,192</u>	<u>53,665</u>	<u>116,674</u>	<u>73,137</u>	<u>911,585</u>
Fund balance - end of year	<u>\$ 555,540</u>	<u>\$ 13,965</u>	<u>\$ 121,390</u>	<u>\$ 53,230</u>	<u>\$ 131,023</u>	<u>\$ 74,239</u>	<u>\$ 949,387</u>

See Accompanying Notes to Financial Statements

Sims Township
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2008

Net change in fund balances - Total governmental funds	\$ 37,802
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(2,779)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	
Property taxes	<u>(3,512)</u>
Change in net assets of governmental activities	<u>\$ 31,511</u>

Sims Township
Proprietary Fund
Statement of Net Assets
March 31, 2008

	Enterprise Fund
	<u>Water</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 576,032
Receivables	
Customers	37,973
Special assessments, current	<u>110,681</u>
Total current assets	<u>724,686</u>
Noncurrent assets	
Restricted assets	
Cash and cash equivalents	322,358
Special assessments receivable, deferred	1,110,226
Investment in Sims-Whitney Utility Authority	<u>3,731,072</u>
Total noncurrent assets	<u>5,163,656</u>
Total assets	<u>5,888,342</u>
Liabilities	
Current liabilities	
Accrued and other liabilities	15,500
Current portion of noncurrent liabilities	<u>154,288</u>
Total current liabilities	<u>169,788</u>
Noncurrent liabilities	
Long-term debt net of current portion	<u>1,665,376</u>
Total liabilities	<u>1,835,164</u>
Net assets	
Invested in capital assets, net of related debt	1,911,408
Unrestricted	<u>2,141,770</u>
Total net assets	<u>\$ 4,053,178</u>

See Accompanying Notes to Financial Statements

Sims Township
Proprietary Fund
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended March 31, 2008

	<u>Enterprise Fund</u>
	<u>Water</u>
Operating revenue	
Customer fees	\$ 272,261
Other revenue	<u>25</u>
Total operating revenue	<u>272,286</u>
Operating expenses	
Personnel services	9,609
Supplies	1,372
Contractual services	107,146
Other expenses	<u>89,387</u>
Total operating expenses	<u>207,514</u>
Operating income	<u>64,772</u>
Nonoperating revenue (expenses)	
Interest income	98,346
Interest expense	<u>(109,396)</u>
Total nonoperating revenues (expenses)	<u>(11,050)</u>
Change in net assets	53,722
Net assets - beginning of year	<u>3,999,456</u>
Net assets - end of year	<u>\$ 4,053,178</u>

See Accompanying Notes to Financial Statements

Sims Township
Proprietary Fund
Statement of Cash Flows
For the Year Ended March 31, 2008

	<u>Enterprise Fund</u>
	<u>Water</u>
Cash flows from operating activities	
Receipts from customers	\$ 272,567
Payments to suppliers	(200,205)
Payments to employees	(9,609)
Net cash provided by operating activities	<u>62,753</u>
Cash flows from capital and related financing activities	
Proceeds from special assessments	133,163
Principal and interest paid on long-term debt	(413,684)
Net cash used by capital and related financing activities	<u>(280,521)</u>
Cash flows from investing activities	
Interest received	<u>98,346</u>
Net decrease in cash and cash equivalents	(119,422)
Cash and cash equivalents - beginning of year	<u>1,017,812</u>
Cash and cash equivalents - end of year	<u><u>\$ 898,390</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 64,772
Adjustments to reconcile operating income to net cash from operating activities	
Changes in assets and liabilities	
Receivables (net)	281
Accrued and other liabilities	(2,300)
Net cash provided by operating activities	<u><u>\$ 62,753</u></u>

See Accompanying Notes to Financial Statements

Sims Township
Fiduciary Funds
Statement of Assets and Liabilities
March 31, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 66,612</u>
Liabilities	
Due to other units of government	<u>\$ 66,612</u>

See Accompanying Notes to Financial Statements

Sims Township
Notes to Financial Statements
March 31, 2008

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

Sims Township is governed by an elected five-member Board. The accompanying financial statements present the entities for which the government is considered to be financially accountable. The financial statements of the reporting entity include those of the Township and do not include any other component within the financial statements including the financial statements of AuGres – Sims Police Board and the AuGres – Sims Fire Department which operate autonomously under an intergovernmental service agreement and are considered jointly governed organizations.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds,

proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current

Sims Township
Notes to Financial Statements
March 31, 2008

period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Cemetery Fund accounts for the revenue and expenditures for the government's cemetery.

The Police Fund accounts for the revenue and expenditures for the government's police protection.

The Transfer Station Fund accounts for the revenue and expenditures for the government's refuse collection.

The Mosquito Fund accounts for the revenue and expenditures for the government's spraying and prevention of mosquitoes.

The Gypsy Moth Fund accounts for the revenue and expenditures for the government's spraying and prevention of gypsy moths.

The government reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system that are organized to be self-supporting through user-charges.

Additionally, the government reports the following:

The Agency Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for sewer and water funds and the internal service funds include the cost of sales and

Sims Township
Notes to Financial Statements
March 31, 2008

services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities, and Net Assets or Equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The 2007 taxable valuation of the government totaled \$75,380,176, on which ad valorem taxes consisted of 3.7630 mills for operating purposes. This resulted in approximately \$284,000 for operating expenses, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Machinery and equipment	3 to 7 years

Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are

Sims Township
Notes to Financial Statements
March 31, 2008

reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data

Comparative data is not included in the government's financial statements.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

The Township is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to March 31, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to March 31.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The Township Clerk is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total

expenditures of an activity must be approved by the Township Board. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent when goods are received or services rendered.

Note 3 - Deposits and Investments

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

	Cash and Cash Equivalents	Restricted Cash and Cash Equivalents
Governmental activities	\$ 933,513	\$ -
Business-type activities	<u>576,032</u>	<u>322,358</u>
Total primary government	1,509,545	322,358
Fiduciary funds	<u>66,612</u>	<u>-</u>
Total	<u><u>\$ 1,576,157</u></u>	<u><u>\$ 322,358</u></u>

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	<u>\$ 1,831,903</u>	<u>\$ 66,612</u>

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates. The government typically invests in CDs and money market funds.

Sims Township
Notes to Financial Statements
March 31, 2008

Credit risk – State statutes and the government's investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, approximately \$1,398,077 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

Primary government

Property taxes Unavailable
\$ 24,085

Note 5 - Capital Assets

Capital assets activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 12,501	\$ -	\$ -	\$ 12,501
Capital assets being depreciated				
Buildings, additions and improvements	104,325	-	-	104,325
Less accumulated depreciation for				
Buildings, additions and improvements	49,118	2,779	-	51,897
Net capital assets being depreciated	55,207	(2,779)	-	52,428
Governmental activities capital assets, net	\$ 67,708	\$ (2,779)	\$ -	\$ 64,929
Business-type activities				
Capital assets being depreciated				
Machinery and equipment	\$ 4,266	\$ -	\$ -	\$ 4,266
Less accumulated depreciation for				
Machinery and equipment	4,266	-	-	4,266
Net capital assets being depreciated	-	-	-	-
Business-type capital assets, net	\$ -	\$ -	\$ -	\$ -

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities

General government \$ 2,779

Sims Township
Notes to Financial Statements
March 31, 2008

Note 6 - Interfund Receivables, Payable, and Transfers

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfer Station	Cemetery	<u>\$ 20,147</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The details for interfund transfers are as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General	Transfer Station	<u>\$ 36,000</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note 7 - Sims-Whitney Utilities Authority

The Sims - Whitney Utilities Authority was formed for the purpose of providing water services to residents of Sims and Whitney Townships. Upon organization, the Authority obtained grants and loans to construct water lines in the Townships. The original loan from Farmers Home Administration amounted to \$1,160,000. To make payments on the loan, the Authority entered into contracts with the Townships for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims'

portion of the contract amounted to \$557,280 or 48%. The Township has pledged its full faith and credit for the payment and is obligated to make such payments from their general funds, including ad-valorem taxes, if necessary. Currently, the payments are being made through special assessments levied on the property owners involved.

The initial contract amount plus any improvements to the system by Sims Township are recorded as Investment in Sims - Whitney Utilities Authority in the Water Fund of the Township because title to the lines becomes property of the Authority.

In 1999, the Authority issued limited tax general obligation bonds in the amount of \$815,000. To make payments on the bonds, the Authority entered into contracts with the Township for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township of Sims' portion of the contract amounted to \$414,998. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, payments are being made through charges for service on the property owners involved.

Also in 1999, the Authority issued limited tax general obligation bonds in the amount of \$2,265,000. To make payments on the bonds, the Authority entered into a contract with the Township of Sims for repayment on a yearly basis, which parallels the annual principal and interest due on the bonds. The Township has pledged its full faith and credit for the payment and is obligated to make such payments. Currently, the payments are being made through special assessments levied on the property owners involved.

Sims Township also pays a prorated share of the operating expenses of the Authority based on usage and other factors. In the current year the Township paid to the Authority \$99,628 for operations.

The financial statements of the Authority are available by writing to the following address: P.O. Box 127, Tawas City, Michigan 48764.

Sims Township
Notes to Financial Statements
March 31, 2008

Note 8 - Long-Term Debt

Long-term obligation activity is summarized as follows:

	<u>Amount of Issue</u>	<u>Maturity Date</u>	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities								
Contracts Payable								
1987 water line	\$ 557,280	07/01/2021	5.0%	\$12,480 - \$27,360	\$ 296,160	\$ 163,920	\$ 132,240	\$ 6,800
1999A water system	414,998	10/01/2018	5.0%	\$15,276 - \$30,554	292,792	20,368	272,424	20,368
1999B water system	2,265,000	08/01/2019	5.1-5.9%	\$115,000 - \$120,000	<u>1,535,000</u>	<u>120,000</u>	<u>1,415,000</u>	<u>120,000</u>
Total business-type activities					<u>\$ 2,123,952</u>	<u>\$ 304,288</u>	<u>\$ 1,819,664</u>	<u>\$ 147,168</u>

Sims Township

Notes to Financial Statements

March 31, 2008

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending March 31,	Business-type Activites	
	Principal	Interest
2009	\$ 147,168	\$ 95,977
2010	147,508	88,432
2011	151,588	80,633
2012	152,268	72,572
2013	155,494	64,276
2014-2018	794,226	190,226
2019-2020	<u>271,412</u>	<u>14,606</u>
	<u>\$ 1,819,664</u>	<u>\$ 606,722</u>

Note 9 - Risk Management

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The government has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 10 - Employee Retirement and Benefit Systems

Defined Benefit Pension Plan

The Township has a defined contribution money purchase pension plan covering all elected and appointed officials and full time employees who are at least 18 years of age and who elect coverage. New employees are enrolled as Plan participants on the first day of employment. The Plan is administered by the Township Clerk and Supervisor.

Required annual contributions to the Plan are based on 18% of each employee's annual compensation. The Township contributes 50% of the total required annual contribution and each employee contributes the other 50%. Total annual contributions are subject to the Internal Revenue Code limitations. The Township's contributions are fully vested for each employee upon entering the Plan.

The Township's payroll covered under the Plan and total payroll for the year ended March 31, 2008 was approximately \$66,371. The Township's required annual contribution to the Plan was \$5,973, which was 9% of the current year covered payroll. Employees' required annual contributions were \$5,973, which was 9% of the current year covered payroll.

Note 11 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

Note 12 - Upcoming Accounting and Reporting Changes

The Government Accounting Standards Board has issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending March 31, 2010.

Sims Township
Notes to Financial Statements
March 31, 2008

The Government Accounting Standards Board has issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving *receivables* should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2006.

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The Government Accounting Standards Board has issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This statement addresses how to account for pollution remediation activities of the effects of *existing* pollution. It does not include *prevention* or *control* activities nor future remediation required upon retirement of an asset. In general, a liability will be recorded based on the *current value* of expected costs as estimated using the *expected cash flows method*. This statement is effective for financial statements with periods ending after December 15, 2007. However, measurement is required as of the beginning of the period.

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes				
Property taxes	\$ 50,000	\$ 50,000	\$ 58,121	\$ 8,121
Administration fee	20,000	20,000	33,082	13,082
Licenses and permits	7,500	7,500	7,753	253
State revenue sharing	70,000	70,000	74,598	4,598
State grants	1,500	1,500	2,217	717
Charges for services	43,500	43,500	45,488	1,988
Fines and forfeitures	-	-	75	75
Interest income	5,000	5,000	8,527	3,527
Other revenue	9,270	9,270	15,708	6,438
	<u>206,770</u>	<u>206,770</u>	<u>245,569</u>	<u>38,799</u>
Total revenues				
Expenditures				
General government				
Township board	45,500	45,500	42,524	(2,976)
Supervisor	10,000	10,000	9,283	(717)
Clerk	15,000	15,000	11,567	(3,433)
Audit	4,500	4,500	3,275	(1,225)
Board of review	1,950	1,950	1,584	(366)
Treasurer	20,750	20,750	18,383	(2,367)
Assessor	34,750	34,750	33,023	(1,727)
Elections	5,300	5,300	1,779	(3,521)
Buildings and grounds	52,800	52,800	18,375	(34,425)
Cemetery	6,000	6,000	6,000	-
	<u>196,550</u>	<u>196,550</u>	<u>145,793</u>	<u>(50,757)</u>
Total general government				

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Public safety				
Police	\$ 500	\$ 500	\$ 270	\$ (230)
Building inspection department	10,940	10,940	6,753	(4,187)
Total public safety	11,440	11,440	7,023	(4,417)
Public works				
Drains	1,500	1,500	1,097	(403)
Highways, streets and bridges	85,000	85,000	9,695	(75,305)
Street lighting	4,000	4,000	3,027	(973)
Total public works	90,500	90,500	13,819	(76,681)
Community and economic development				
Planning	27,500	27,500	18,376	(9,124)
Zoning	3,500	3,500	3,417	(83)
Total community and economic development	31,000	31,000	21,793	(9,207)
Recreation and culture				
Parks and recreation	10,000	10,000	-	(10,000)
Library	3,000	3,000	-	(3,000)
Total recreation and culture	13,000	13,000	-	(13,000)
Other functions	45,000	45,000	-	(45,000)
Transfers out	36,000	36,000	36,000	-
Total expenditures	423,490	423,490	224,428	(199,062)
Excess (deficiency) of revenues over expenditures	(216,720)	(216,720)	21,141	237,861
Fund balance - beginning of year	534,399	534,399	534,399	-
Fund balance - end of year	\$ 317,679	\$ 317,679	\$ 555,540	\$ 237,861

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Cemetery
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 12,050	\$ 12,050	\$ 12,130	\$ 80
Charges for services	7,200	7,200	13,825	6,625
Interest income	50	50	121	71
Other revenue	<u>50</u>	<u>50</u>	<u>20</u>	<u>(30)</u>
Total revenues	<u>19,350</u>	<u>19,350</u>	<u>26,096</u>	<u>6,746</u>
Expenditures				
Current				
Public works	<u>36,700</u>	<u>36,700</u>	<u>22,649</u>	<u>(14,051)</u>
Total expenditures	<u>36,700</u>	<u>36,700</u>	<u>22,649</u>	<u>(14,051)</u>
Excess (deficiency) of revenues over expenditures	(17,350)	(17,350)	3,447	20,797
Fund balance - beginning of year	<u>10,518</u>	<u>10,518</u>	<u>10,518</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ (6,832)</u>	<u>\$ (6,832)</u>	<u>\$ 13,965</u>	<u>\$ 20,797</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Police
For the Year Ended March 31, 2008

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Taxes	\$ 76,300	\$ 76,300	\$ 75,553	\$ (747)
Licenses and permits	1,000	1,000	-	(1,000)
Interest income	800	800	926	126
Total revenues	78,100	78,100	76,479	(1,621)
Expenditures				
Current				
Public safety	80,400	80,400	78,281	(2,119)
Total expenditures	80,400	80,400	78,281	(2,119)
Excess (deficiency) of revenues over expenditures	(2,300)	(2,300)	(1,802)	498
Fund balance - beginning of year	123,192	123,192	123,192	-
Fund balance - end of year	\$ 120,892	\$ 120,892	\$ 121,390	\$ 498

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Transfer Station
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local contributions	\$ 36,000	\$ 36,000	\$ 36,000	\$ -
Interest income	25	25	101	76
Other revenue	100	200	984	784
Transfers in	<u>36,000</u>	<u>36,000</u>	<u>36,000</u>	<u>-</u>
 Total revenues	 <u>72,125</u>	 <u>72,225</u>	 <u>73,085</u>	 <u>860</u>
Expenditures				
Current				
Public works	<u>73,928</u>	<u>74,600</u>	<u>73,520</u>	<u>(1,080)</u>
 Total expenditures	 <u>73,928</u>	 <u>74,600</u>	 <u>73,520</u>	 <u>(1,080)</u>
 Excess (deficiency) of revenues over expenditures	 (1,803)	 (2,375)	 (435)	 1,940
 Fund balance - beginning of year	 <u>53,665</u>	 <u>53,665</u>	 <u>53,665</u>	 <u>-</u>
 Fund balance - end of year	 <u><u>\$ 51,862</u></u>	 <u><u>\$ 51,290</u></u>	 <u><u>\$ 53,230</u></u>	 <u><u>\$ 1,940</u></u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Mosquito
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 71,600	\$ 71,600	\$ 72,967	\$ 1,367
Interest income	100	100	389	289
Other revenue	-	-	12	12
	<u>71,700</u>	<u>71,700</u>	<u>73,368</u>	<u>1,668</u>
Total revenues				
Expenditures				
Current				
Public works	<u>70,300</u>	<u>70,300</u>	<u>59,019</u>	<u>(11,281)</u>
	<u>70,300</u>	<u>70,300</u>	<u>59,019</u>	<u>(11,281)</u>
Total expenditures				
Excess of revenues over expenditures	1,400	1,400	14,349	12,949
Fund balance - beginning of year	<u>116,674</u>	<u>116,674</u>	<u>116,674</u>	<u>-</u>
Fund balance - end of year	<u>\$ 118,074</u>	<u>\$ 118,074</u>	<u>\$ 131,023</u>	<u>\$ 12,949</u>

Sims Township
Required Supplemental Information
Budgetary Comparison Schedule
Gypsy Moth
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual Over (Under) Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Interest income	\$ 2,000	\$ 2,000	\$ 1,202	\$ (798)
Total revenues	<u>2,000</u>	<u>2,000</u>	<u>1,202</u>	<u>(798)</u>
Expenditures				
Current				
Public works	<u>300</u>	<u>300</u>	<u>100</u>	<u>(200)</u>
Total expenditures	<u>300</u>	<u>300</u>	<u>100</u>	<u>(200)</u>
Excess of revenues over expenditures	1,700	1,700	1,102	(598)
Fund balance - beginning of year	<u>73,137</u>	<u>73,137</u>	<u>73,137</u>	<u>-</u>
Fund balance - end of year	<u>\$ 74,837</u>	<u>\$ 74,837</u>	<u>\$ 74,239</u>	<u>\$ (598)</u>

OTHER SUPPLEMENTAL INFORMATION

Sims Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund					
1987 Water line	5.00%	2009	\$ 6,800	\$ 6,615	\$ 13,415
Amount of issue - \$557,280	5.00%	2010	7,140	6,256	13,396
	5.00%	2011	11,220	5,783	17,003
	5.00%	2012	11,900	5,189	17,089
	5.00%	2013	12,580	4,559	17,139
	5.00%	2014	12,920	3,902	16,822
	5.00%	2015	13,600	3,220	16,820
	5.00%	2016	14,280	2,503	16,783
	5.00%	2017	14,960	1,750	16,710
	5.00%	2018	15,980	954	16,934
	5.00%	2019	10,860	271	11,131
			<u>\$ 132,240</u>	<u>\$ 41,002</u>	<u>\$ 173,242</u>

Sims Township
Other Supplemental Information
Schedule of Indebtedness
March 31, 2008

Description	Interest Rate	Date of Maturity	Amount of Annual Maturity	Interest	Total
Water Fund					
Contract payable	5.00%	2009	\$ 20,368	\$ 12,590	\$ 32,958
1999A water system	5.00%	2010	20,368	11,704	32,072
Amount of issue - \$ 414,998	5.00%	2011	20,368	10,798	31,166
	5.00%	2012	20,368	9,871	30,239
	5.00%	2013	22,914	8,864	31,778
	5.00%	2014	25,460	7,714	33,174
	5.00%	2015	25,460	6,480	31,940
	5.00%	2016	25,460	5,219	30,679
	5.00%	2017	30,554	3,819	34,373
	5.00%	2018	30,552	2,291	32,843
	5.00%	2019	30,552	764	31,316
			<u>\$ 272,424</u>	<u>\$ 80,114</u>	<u>\$ 352,538</u>
Water Fund					
Contract payable	5.20%	2009	\$ 120,000	\$ 76,772	\$ 196,772
1999B water system	5.30%	2010	120,000	70,472	190,472
Amount of issue - \$ 2,265,000	5.40%	2011	120,000	64,052	184,052
	5.50%	2012	120,000	57,512	177,512
	5.60%	2013	120,000	50,853	170,853
	5.70%	2014	120,000	44,073	164,073
	5.75%	2015	120,000	37,202	157,202
	5.80%	2016	115,000	30,417	145,417
	5.85%	2017	115,000	23,719	138,719
	5.90%	2018	115,000	16,963	131,963
	5.90%	2019	115,000	10,178	125,178
	5.90%	2020	115,000	3,393	118,393
			<u>\$ 1,415,000</u>	<u>\$ 485,606</u>	<u>\$ 1,900,606</u>

**Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance
with Government Auditing Standards**

To the Township Board
Sims Township
Au Gres, Michigan

We have audited the financial statements of the governmental activities, business-type activities and each major fund of Sims Township as of and for the year ended March 31, 2008, which collectively comprise Sims Township's basic financial statements and have issued our report thereon dated June 27, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Sims Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sims Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements would not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sims Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Sims Township, management, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

June 27, 2008
Saginaw, Michigan



3023 Davenport
Saginaw, MI 48602
(989) 793-9830 / (800) 968-0010
Fax (989) 793-0186

June 27, 2008

Management and the Board of Trustees
Sims Township

Dear Management and the Board of Trustees:

We have completed our audit of the financial statements of Sims Township as of and for the year ended March 31, 2008 and have issued our report dated June 27, 2008. We are required to communicate certain matters to you in accordance with auditing standards generally accepted in the United States of America that are related to internal control and the audit.

Responsibilities under generally accepted auditing standards

As stated in our engagement letter dated, we are responsible for conducting our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS) established by the Auditing Standards Board of the American Institute of Certified Public Accountants. Our responsibility, as prescribed by US GAAS, is to express an opinion about whether the financial statements prepared by management, with your oversight, are fairly presented, in all material respects. Our audit does not relieve you of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit as outlined in our discussion with you related to planning matters on December 1, 2007.

Significant Audit Findings

- Management is responsible for the selection and use of appropriate accounting policies. We will advise management about their appropriateness and application. The significant accounting policies are described in (Note 1) of the financial statements. We noted no transactions entered into by the organization during the year where there is lack of authoritative guidance or consensus. There are no significant transactions that were recognized in a period other than which they occurred.
- Accounting estimates are based on management's knowledge and experience about past and current events and assumptions. Some estimates are sensitive because of their significance to the financial statements and the fact that future events affecting them may differ from those expected.
- Disclosures in the financial statements are neutral, consistent and clear. Certain disclosures are more sensitive than others due to their relevance to the users of the financial statements.

Corrected and Uncorrected Misstatements

Professional standards require that the auditor accumulate all known and likely misstatements identified during the audit, other than those the auditor believes to be trivial. The adjustments identified during the audit have been communicated to management and management has posted all but the following adjustments, as applicable. Management has determined that the effects of the uncorrected misstatements attached are immaterial both individually and in the aggregate, qualitatively and quantitatively, to the financial statements taken as a whole.

Financial Statements Effect—Amount of Over (Under) Statement of:			
Description	Total Liabilities	Expense	Change in Fund Balance/ Net Assets
General Fund			
Accrued payroll is not recorded	\$ -29,412	\$ -1,855	\$ -1,855
Prior year			-28,995
Total General Fund			-29,412
Building Inspection Fund			
Accrued payroll is not recorded	\$ -2,333	\$ -1,438	\$ -1,438
Prior year			-895
Total Building Inspection Fund			-2,333

Disagreements with Management

A disagreement with management is defined as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, which could be significant, individually or in the aggregate to the financial statements or the auditors' report. We had no disagreements with management during the audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management's Consultations with Other Accountants

From time to time, management may decide to consult with other accountants about audit and accounting matters. Should this occur, professional standards require the consulting accountant to communicate with us to determine that they have all the relevant facts. To our knowledge, there were no consultations with other accountants during the year.

Significant Issues Discussed or Subject to Correspondence with Management

From time to time auditors discuss significant issues with management such as business conditions affecting the entity, business plans and strategies that may affect the risk of material misstatement and the application of accounting principles and auditing standards. The issues discussed during the audit occurred during the normal course of our professional relationship and our responses were not a condition to our retention.

We plan on meeting with you on July 15, 2008 during the regularly scheduled board meeting to discuss them with you. We have previously met with management to discuss these matters during the audit.

These communications are intended solely for the information and use of management, the Board of Trustees, others within the organization, and are not intended to be and should not be used by anyone other than those specified parties.

Yeo & Yeo, P.C.

Saginaw, Michigan